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June 17, 2005

To: Supervisor Gloria Molina, Chair
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Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

MOTION TO OPPOSE SB 1086 (MIGDEN) -- CITY OF LONG BEACH TIDELANDS REVENUES (ITEM NO. 8, AGENDA OF JUNE 21, 2005)

Item No. 8 on the June 21, 2005 Agenda is a motion by Supervisor Knabe to oppose SB 1086 (Migden), which affects the City of Long Beach's tidelands revenues, to direct my office to send letters of opposition to the County's legislative delegation, and to direct our Sacramento Advocates to pursue defeat of the bill.

Under existing law, coastal tidelands areas can be held in public trust on behalf of the State for purposes of navigation, commerce, and fishing. In 1911, the State granted the City of Long Beach a tidelands trust, which permitted the development of the Long Beach Harbor as well as oil and gas production. Generally, revenues derived from economic activities in trust areas are restricted to support the maintenance of the trust areas with certain revenues, such as those related to oil and gas production, split between the trustee and the State.

In 1999, the City of Long Beach created an Oil Abandonment Fund to address the problem of capping and decommissioning inactive wells, and began placing a portion of oil revenues into the Fund. The City has estimated the cost of managing abandoned wells to be \$300 million, and currently has \$86 million in its Oil Abandonment Fund.

In 2003, the State obtained a trial court decision to prevent the City from making further contributions to the Oil Abandonment Fund. In January 2005, the California Court of Appeals reversed the trial court decision and agreed with the City's position that creation of the Oil Abandonment Fund is authorized by State law. On March 30, 2005, the California Supreme Court denied the State's petition for review.

SB 1086 (Migden), as amended on May 27, 2005, would reverse the Court of Appeals decision by specifically prohibiting the City of Long Beach from making deposits into its Oil Abandonment Fund, and requiring the City to remit the balance of the Fund to the State. Other provisions of SB 1086 would extend the sunset date from July 1, 2006 to July 1, 2012 relative to how the State's share of tidelands oil revenues are allocated among projects to protect and restore natural resources, maintain State park facilities, and improve pollution control.

Because SB 1086 has no effect on County operations and the County's legislative agenda does not address this issue, a position on this issue is a matter for Board policy determination.

According to the author's office, there is no registered support for the current version of SB 1086, and the measure is opposed by the City of Long Beach. On June 1, 2005, SB 1086 passed the Senate by a vote of 24 to 13, and has been referred to the Assembly Committee on Natural Resources with no hearing date set.

DEJ:GK
MAL:JF:ib

c: Executive Officer, Board of Supervisors
County Counsel
Legislative Strategist